

CHAPTER I

INTRODUCTION

1.1. Background

Mosque is a sign or symbol for Muslims. It is a place to do the main worship for Muslims. It is also a place for Islamic community to execute social activity such as community development, learning, and discussion. The function is not restricted as a place to perform praying. It can be seen that when the period of the Prophet Muhammad (*pbuh*), the role of the mosque is not only as religious center, but also covers the aspects of administration, economy, social, security, education, expansion of religion (Wahab, 2008). This situation has made the mosque as a one-stop center for the society until right now.

Recently, the function of the mosque is expanded and turned into a congregation area, sharea court, study center, libraries, literary center (poetry recitals), administrative center, delegation center, discussion area regarding issues involving economic affairs and trade, treasury office, dormitories and lodge for travelers, tactical discussion area, military barracks and recovery center (Zakaryya *et al.* 2010). Besides, mosque can also empower society's economy by providing the fund to create a business (Fidlizan et al, 2007). Mosque right now has played the important role that can give much contribution to society welfare.

In running those activities, mosque has taken role in collecting and distributing the fund from its congregation where the source of fund comes from zakat, waqf, infaq and other donations from society (Ayub, Muhsin, & Mardjoned, 1996). Those money will turn to high number even huge number that should be well managed, controlled and taken responsible for it that it becomes the base assumption that mosque have to perform the financial report.

In the modern era nowadays, the need of transparency and accountability is getting higher for Non Profit Organizations (NPOs) (Bastian, 2005). Mosque is one of the type of religious non profit organizations that needs to be enhanced their financial managements. This phenomenon eventually will create problems especially in the collecting, managing and distributing processes. There are some previous studies such as Greenlee et al. (2007), Debere (2010), Siino (2004) and Vanderwarren (2001) identified many cases of abuse and misconduct involving religious charity funds that give negative public perception especially regarding the mosque's accountability.

It is believed that nonprofit organizations have an environment of high trust which makes them vulnerable to fraud and abuse (Ventura and Daniel 2010). Many nonprofit organizations, particularly in the case of religious organizations, assume a high level of morality among their members and staff (Soobaroyen 2009). Given this, 'secular' controls, such as accounting, appear not to be important. Trust is one of the factors that contribute to the mismanagement of funds.

In many embezzlement cases, trust is misplaced in the embezzler (Elson 2007). Such a high level of trust will lead to very little need for supervision. This would, in turn create opportunities for fraud (Daniel 2010). The study conducted by Sulaiman et al. (2008) provides further evidence that the element of trust renders internal controls unnecessary. Subsequently, this may provide an opportunity for fraud and also fraud that is difficult to detect, given that the perpetrators are “trusted” individuals. Mosque as part of religious organizations are regarded as ‘sacred’ and people who worked there or are associated with them are perceived to have high moral values.

Actually, most of misappropriations are brought about by poor accounting and internal control practices (Rahman 1998; Bowrin 2004 and Sulaiman et al. 2008). In a recent case, a finance administrator of Chester United Methodist Church was charged with embezzling more than \$500,000 from the church (Remmers 2013). The same phenomenon has also occurred in mosques. A former collector of tithes pleaded guilty to committing a criminal breach of trust involving RM19,510 (Hafidzin 2011).

The number of research toward accounting practices as well as financial management on mosque is also still a little in Indonesia moreover in West Sumatera province, even there is no exact number of the the total amount of mosque in Indoensia as it is criticized by Vice President of Indonesia on National Work Council of Indonesian Mosque Board to Ministry of Religion Affair (Antony, 2018). It indicates that there is a lack of government attention

toward mosque even though it has big numbers of mosques spread out in all regions of Indonesia especially in some provinces that is well known as Islamic region.

According to information system of Ministry of Religion Affair of Indonesia, West Sumatera in 2018, have 3946 mosques that has been registered and 287 mosques are located in Padang city. There are some types of mosque based on the facility they own such as Agung Mosque, Raya Mosques, Big mosque, and Jami' mosque. Most of mosques are managed by society surrounding the mosque, while others managed by campus that owns that mosque or government in city or province. However, the big numbers of mosque and its various type is not followed by the financial management regulation standard to maintain its financial managements to enhance its accountability and internal control. It can be seen from some cases of losing the charity collection box that happen currently West Sumatera.

In May 2019, cited from the Antara Sumbar.com, there were stolen of Collection box in Al Mukminun Mosque Padang. The same case also happened in Darul Jadid Mosque as cited on Padang Ekspres on December, 2018 and in Baiturrahman Mosque in Bukittinggi as has been on recorded by CCTV as cited by Haluan on December 2018. Those case are some example of phenomenon as the lack of internal control system of the mosque so that stealing can be done by the external people. Actually, another such kind of misuse or misappropriation

used of mosque fund can be possible happen that can be carried out by internal people such manager of mosque because there is opportunity and they know so well about the internal management.

Moreover, the mosque has had many expensive assets such as some main and supporting facilities that must be well protected such as some facilities that become the standards of Big Mosque, Raya Mosque, Agung Mosque and Country Mosque. Fortunately, the mosque which has the big assets such as Raya Mosque, Agung Mosque and Country Mosque has been well managed and monitored by government because the source of fund coming from the government. Meanwhile, the Big mosque is managed by society or foundation and can be organization will probably more vulnerable and lack of accountability and internal control system.

Therefore, we need to enhance the accountability as well as the internal control of the big mosque especially on financial management practices. Accountability is demonstrated by individuals and organization's actions, not only through reporting and disclosure of requirements, but also in their responsibilities to the public in terms of organizational values and performance (Ebrahim, 2003) and internal control protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations (Cuomo, 2005).

In line with the philosophical value owned by West Sumatera people, as it said the custom must in accordance with religion, and religion must in accordance with holy Qur'an (*adat basandi syarak, syarak basandi kitabullah*), mosque

should have become the place where Minangkabau people prioritize to be the center of people activity and need to be protected from any fraud or other possibility of misuse. Therefore, the researcher want to see how well the accountability and internal control on financial management of mosque in Padang so that the researcher get interested in to write the thesis entitled **“Examining the Accountability and Internal Control on Mosque’s Financial Management Practices in Padang, Case Study on 5 Big Mosques in Padang”**.

1.2. Problem Definitions

Based on the background above, the problem that can be formulated :

- a) Do the big mosques in Padang have adequate accountability on financial management practices ?
- b) Do the big mosques in Padang have adequate internal control system on financial management practices?
- c) How is the good financial management practices of mosque that can enhance accountability and internal control?

1.3. Research Objectives

This research aims to examine empirical evidence about:

- a) The accountability of big mosque on financial management practices in Padang
- b) The internal control system of big mosque on financial management practices in Padang
- c) The good standard of financial management practices of big mosque in Padang

1.4. Research Benefits

This research is expected to provide benefits for :

a) For researcher

The results of this research are expected to provide insight and knowledge as well as be able to prove empirically about the accountability and internal control system to improve the quality of financial management practices of mosque in Padang.

b) For the management of mosque

This research is expected can contribute to board of management of mosque in Padang in order to improve the quality of financial management practices in mosque.

c) For society (donors and the congregation of mosque)

The results of this research are expected to protect the society from the misused of financial management practices of mosque in Padang and improve the society's trustworthy on the management of mosque in Padang.

1.5 The Scope of Research

This research was conducted to the big Mosques in Padang that has been registered in information system of mosque published by Ministry of Religion (Kemenag) on the web of simas.kemenag.go.id. It is a database made by Kemenag to provide all registered mosques in Indonesia. This study focused on the big mosques in Padang and see the accountability dan internal control system of mosque to improve quality of financial management practices in Padang.

1.6 Writing Systematic

The discussion in this study is described in five chapters with a systematic discussion to make it easier for readers in understanding this research. Writing systematic gives an overview of each chapter as follows:

CHAPTER I INTRODUCTION

The introduction will discuss the general description that becomes the basis of this research. It consists of background, problem definition, research objectives, research benefits, research scope, and writing systematic.

CHAPTER II LITERATURE REVIEW

Literature Review discusses the theory that has the relationship with the research problem. This is useful as a rationale for solving problems. Moreover, this chapter also looks previous research, and research framework

CHAPTER III RESEARCH METHODS

Research method provides an overview of the plan for conducting the research. This chapter includes the research design, subject of study, data and data source, data collecting technique and instrument, and technique of data verification.

CHAPTER IV RESULTS AND DISCUSSION

This chapter will discuss the description of the research object and analysis as well as discussion of the research results of the accountability, internal control on big mosque's financial management practices in Padang.

CHAPTER V CONCLUSIONS

Conclusions are drawn from the research results, limitations of this research, and also the suggestions for further research.

